The Great Atlantic & Pacific Tea Company, Inc.

1968 Annual Report

for the fiscal year ended
February 22, 1969

EDP CENTER IS OPERATIVE—The Company's regional Electronic Data Processing Center is nearing completion at Piscataway Township, N. J. and is equipped with the latest available IBM and RCA computers. The 20,000-square-foot Center (top) is designed for expansion as A&P's needs for data processing are enlarged. Pictured immediately above is one of the banks of computer equipment already contributing to modernization of the Company's ordering and billing procedures.

The Great Atlantic & Pacific Tea Company, Inc.

1968 Annual Report

for the fiscal year ended February 22, 1969

EXECUTIVE OFFICES

420 Lexington Avenue, New York, N. Y. 10017

TRANSFER AGENT

Morgan Guaranty Trust Company of New York
New York, N. Y.

REGISTRAR

First National City Bank, New York, N. Y.

NOTICE OF ANNUAL MEETING

The Annual Meeting of Stockholders will be held on Tuesday, June 17, 1969 at 10 A.M. (E.D.T.) in the Ann Page plant in Horseheads, N. Y.

Comparative Highlights

For the Fiscal Year (52 Weeks) Ended	Feb. 22, 1969	Feb. 24, 1968	Feb. 25, 1967
Sales	$5,436,325,100	$5,458,823,500	$5,475,259,300
Income before income taxes	90,246,900	101,697,400	107,244,200
United States and foreign income taxes	45,000,000	45,800,000	51,005,000
Net income	45,246,900	55,897,400	56,239,200
Per share*	1.82	2.25	2.27
Per cent of sales	.83%	1.02%	1.03%
Cash dividends declared	32,264,800	39,707,100	37,840,700
Per share	1.30	1.60	1.525
Additions to property, equipment and fixtures	61,415,300	63,357,000	67,817,100
Depreciation and amortization	50,648,000	49,856,000	47,419,400
At Year-End			
Working capital	$ 317,330,500	$ 310,308,000	$ 304,704,600
Ratio of current assets to current liabilities	2.32	2.34	2.29
Property, equipment and fixtures	336,607,400	326,471,200	313,886,600
Stockholders' equity	640,492,200	627,365,700	611,097,000
Per share	25.80	25.28	24.63
Number of stores	4,713	4,724	4,693
Approximate number of stockholders	53,400	52,300	54,300

*Based on the average number of shares outstanding each year.

Message To Stockholders:

The beginning of change is the story of A&P in 1968, change that is not only affecting your company, but the food industry, the nation, the whole world.

For well over a century, A&P has dedicated its efforts to bringing wholesome foods to America's tables at economy prices. That dedication has never wavered through the evolutionary steps of the company: the old-line store, the neighborhood economy store, the self service shop, the supermarket and today's food department store. This has been, is, and will be the character of the company.

But change is in order. It started in 1968 with nine of the 11 officers assuming new positions during the year, most of them near the mid-point of the second quarter. During the year the president-chief executive officer, treasurer and three vice presidents retired. We also were saddened by the death of J. Gordon Christian, Jr., vice president and president of the Southern Division.

M. W. Alldredge, now 57, became chief executive officer; William Kane, 56, president; E. A. Le Page, 59, and William Corbus, 57, executive vice presidents; H. C. Gillespie, 56, treasurer, and Noble F. Whittaker, 61, James S. Kroh, 58, P. A. Smith, 54, and J. A. Zeigler, 61, vice presidents.

New appointments also were made in several major service operations at Headquarters, including J. J. Cairns, Jr., 41, as Director of Sales; J. D. Moss, 61, as Director of Purchases; Francis O'Connor, 43, as Director of Budgets and Controls; M. D. Potts, 42, as Comptroller; Arthur Hillhouse, 52, as Director of Operations; J. W. Van Vliet, 58, Director of Audits and Insurance, and Stephen Zipay, 51, as director of the newly-created Real Estate Department.

In the manufacturing divisions, Howard J. Gilb, 48, was elected president of the National Bakery Division to succeed Ralph Thomas who retired, and C. A. Smith, 55, was elected president of the National Produce Division to succeed J. A. Zeigler who was elected as vice president and director.

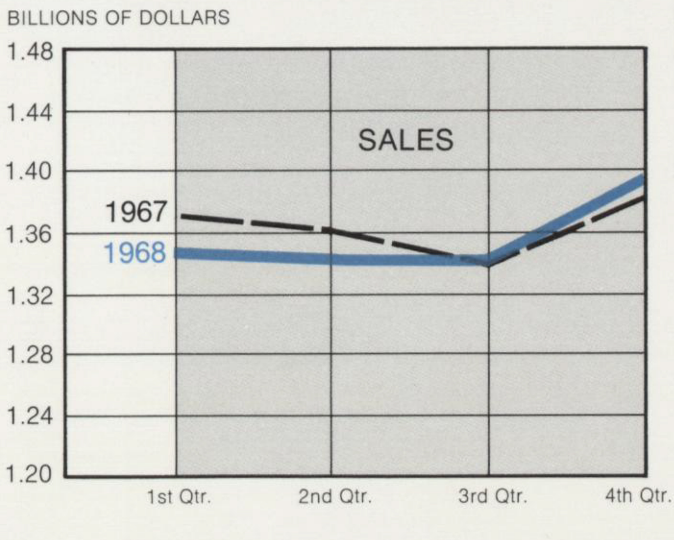
This new management team set to work at once examining the change that is occurring in the wants, needs, education, buying power and life styles of A&P's millions of customers. They are dedicated to meeting the impact of these changes in order to constantly better serve the consumer.

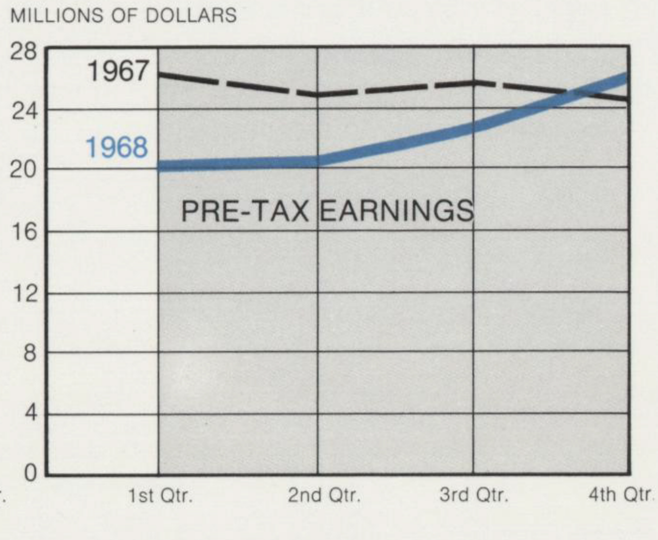
All current policies, practices and procedures are being examined to determine if they are modern, effective and surmounting the challenges of the present as well as preparing for the future. Some are being retained, others altered, many updated and improved. Every major segment of the A&P organization is enthusiastically participating in this constructive effort.

To insure complete objectivity in conclusions, professional specialized services are being retained.

A major development to date is the decentralization of the company into 33 autonomous retail divisions, effective Feb. 24, 1969. Each division is headed by a vice president-general manager and is supported by an executive committee and supervisory staff. This administrative structure places authority, and all the positive factors that go with authority, closer to the point of sale. A&P is becoming, with this arrangement, the equivalent of 33 individual companies operating in local areas, each enjoying an average of more than $150 million per year in sales. These 33 profit centers will draw upon the central administrative organization for certain common resources and services.

PROFILE OF PERFORMANCE FOR FISCAL 1968 vs. 1967





Melvin W. Alldredge, Chairman
and William J. Kane, President

A decision was reached to sell two operations that were not meeting A&P's profit standards: Nakat Corporation, the company's salmon operation, and the 31 retail stores in Southern California.

In the last half of the year sales and profits began to improve. The sales loss began to decline in late summer and by the end of the third quarter had advanced fractionally ahead of the comparable period a year earlier. Fourth quarter sales improved further to approximately one per cent ahead of the same period in 1967, enabling the company to attain the second highest 13-week sales quarter in its 109-year history.

Profits of 39 cents a share for the first quarter were reported in June, a decline of 17 cents per share from the previous year. By the close of the second quarter, earnings had improved slightly to 42 cents a share, and the decline had narrowed to 13 cents on a comparison basis. Third quarter earnings continued to show improvement, up to 48 cents or eight cents behind the comparable 1967 period. In the fourth quarter, ended Feb. 22, 1969, pre-tax earnings crossed the line and exceeded the previous year. Tax differences, however, brought profits down to 53 cents, or five cents under final, after-tax earnings a year earlier.

This ever-improving performance during the year can be attributed to the dedication and determination of the organization which is enthusiastically approaching the challenge of change.

A&P's course is clear: to assist in feeding America with wholesome and nutritious foods in a variety and quality second to none, at prices the individual can afford, and to do this efficiently.

We recognize our responsibility as a key supplier to the nation's families of all incomes, the high, the low and the middle. Many of our customers are second, third and even fourth generation A&P shoppers. As major suppliers of food, we accept that our standards of quality, service and price are an impact in many communities. At a time of inflation in the economy, we are dedicated to service to the consumer, not to see how much we can charge but rather how little we can charge her and at the same time provide a fair return for the shareholder.

So much for the principles of your company and the activities of the past year. Now what does the future hold?

We are programming for modernization, for growth, for expansion into new and wider vistas.

Stores of the future will be larger, much larger, with many new departments and wider variety to enable the shopper to truly enjoy one-stop shopping. Where practical, successful smaller stores will be enlarged to offer additional services to our regular customers. Older, smaller stores will be closed as fast as modern replacements can be developed to serve the area.

New sections will be developed and new fields exploited. We have agreed in principle to acquire the Eckerd Drug Co. of Charlotte, N.C., a chain of slightly less than 100 large modern drug stores. The Eckerd company is highly respected and successful in its field. The present management of Eckerd will continue and lend their know-how and experience to the parent company as we expand merchandise lines in more than 4,000 stores across the country.

Other compatible retail areas are under consideration as a part of the growth pattern.

A&P is expanding, upgrading and updating its manufactured products. We are especially proud of the quality of products carrying the A&P circle, each of which must be equal to or better than comparable nationally advertised products in order to earn the right to be labeled A&P.

A new, large, ultra modern delicatessen and prepared food plant will open in June in Florence, N.J., serving several hundred Eastern stores with fresh salads and other table-ready foods, prepared under scientifically-supervised conditions.

In April of this year the Gress Poultry Company of Scranton, Penna. became a member of the A&P family of food processors. This new A&P facility specializes in the processing of federally-inspected, fresh-killed chickens into consumer portions. The plant has a capacity for processing 45 million pounds annually and expansion is planned. A member of the founding company will continue to manage this operation.

Last year 124 new company-manufactured products were introduced and contributed materially to the performance. Another 166 are planned for introduction within the next few months.

At the same time, additional leading nationally advertised products will be placed on A&P shelves, offering the consumer a wider choice of variety.

Growth of a company and success depends upon its people. We are deeply appreciative of the loyalty, spirit and effort of the men and women of A&P and to the thousands of part-time student members of the organization who assist us in carrying on the business.

Ours is a serious business, historically a low margin business, but a challenging and rewarding one. Each problem is an opportunity to find a better way to meet the future. This philosophy requires the total commitment of every member of the A&P organization.

We are making that commitment!

M. W. Alldredge
CHAIRMAN

W. J. Kane
PRESIDENT

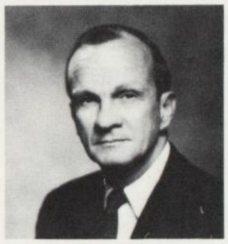
MAY 15, 1969

Officers and Directors

"Growth of a Company and Success

Melvin W. Alldredge
Chairman and
Chief Executive Officer

***William E. Ayres**
Vice President



Anthony A. Bliss
Partner: Milbank,
Tweed, Hadley & McCloy

R. Manning Brown, Jr.
Executive Vice President
New York Life Insurance
Company

Fred E. Campbell
Secretary and
General Counsel

Roy C. Collins
Partner, Collins and Toner

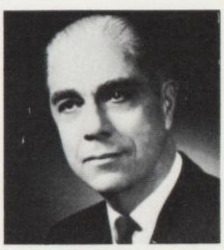
William Corbus
Executive Vice President

Donald Kirk David
Director of various
business corporations

Harry C. Gillespie
Treasurer

William J. Kane
President

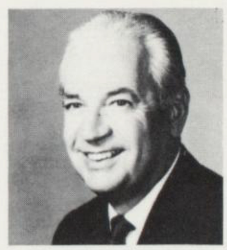
James S. Kroh
Vice President



Edward A. LePage
Executive Vice President

Gwilym A. Price
Retired Chairman
Westinghouse Electric
Corporation

John M. Schiff
Partner, Kuhn, Loeb & Co.



Percy A. Smith
Vice President

Noble F. Whittaker
Vice President

J. Albert Zeigler
Vice President

*Mr. Ayres resigned as Director and
Vice President, March 22, 1969.

Oliver C. Adams
Director Emeritus

Depends Upon Its People."†

A&P Product Division Presidents

Frank Bradley, Jr.
National Coffee

Lester T. Davis
Ann Page

Howard J. Gilb
National Bakery

C. Asher Smith
National Produce

National Staff and Service Department Directors

S. A. Zipay
Real Estate

J. J. Cairns, Jr.
Sales and Merchandising

A. S. Hillhouse
Operations and Engineering

J. William Van Vliet
Audits and Insurance

H. T. Jaehnig
Personnel and Industrial Relations

M. Dean Potts
Comptroller

Francis J. O'Connor
Budgets and Controls

J. D. Moss
Purchasing

†Management's Message to Stockholders, Page 3.

Management of the 33 Decentralized Divisions Is Placed in the Hands of These

Western Region


CHICAGO
Earl E. Poyner


COLUMBUS
Nicholas J. Gallo


DETROIT
R. F. Longacre


INDIANAPOLIS
John C. Nicholls


KANSAS CITY
Robert J. Murray


MILWAUKEE
Ralph J. Crocker


ST. LOUIS
Ralph E. Richards


SEATTLE
Raymond T. Sheehan


TOLEDO
Clyde L. Taylor

Canada


G. N. Provost

Central Region


ALTOONA
George F. Brown


BALTIMORE
E. L. Nicholson


CLEVELAND
Cecil R. Rine


PHILADELPHIA
George W. Koerber

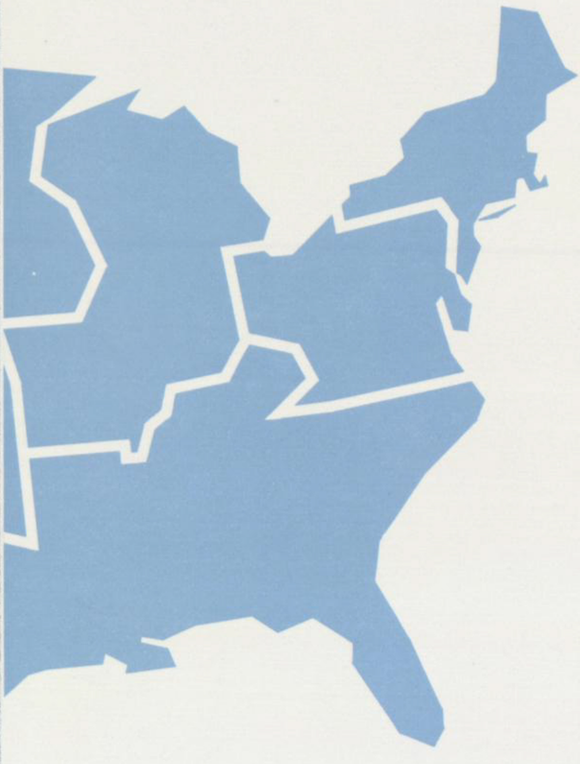

PITTSBURGH
Clifford C. Smith


RICHMOND
Ralph H. Saquella


SCRANTON
Franklin G. Trenery

DECENTRALIZATION—At year's end, A&P was decentralized into 33 autonomous retail divisions, each headed by a vice president-general manager. Pictured here are the executives who have the authority and the responsi-

Regional Vice Presidents



Eastern Region

ALBANY
Hobert A. Ledford

BOSTON
Robert C. Jordan

BRONX
William I. Walsh

BUFFALO
Donald G. Jackson

LONG ISLAND
William P. Reilly

NEWARK
W. J. F. Dailey

PATERSON
Joseph P. Twill

PORTLAND
Reid S. Appleby

SPRINGFIELD
Wm. J. Vitulli

Southern Region

ATLANTA
A. L. Hogewood

BIRMINGHAM
E. A. Simpson

CHARLOTTE
J. H. Cornelius

DALLAS
David G. Richards

JACKSONVILLE
J. Y. Brashear

LOUISVILLE
R. H. Ruebenstahl

NEW ORLEANS
Robert L. Spencer

bility for the 33 separate profit centers. A&P is becoming, with this arrangement, the equivalent of 33 individual companies operating in local areas, each enjoying an average of more than $150 million per year in sales.

1968 In Review

Among the areas contributing to A&P's forward thrust during the past year were electronic data processing, accelerated personnel training, expansion of service delicatessen departments in larger supermarkets and the completion of physical facilities for the production of a whole new line of products in the prepared food field.

The "beginning of change" concept mentioned in Management's "Message to Stockholders" on Pages 2 and 3 is exemplified by the Engineering Department's report that major physical facility projects, including new plants as well as additions and alterations, contributed a total of 208,000 square feet of additional floor space in manufacturing and distributing facilities other than retail stores during fiscal 1968. Another 547,000 square feet are scheduled during the present year, some of it having been completed before the publication date of this Report.

Now in operation is the new Eastern Regional Electronic Data Processing Center in Piscataway Township, N. J., a 20,000-square-foot facility housing the latest available business computers. This equipment is being programmed by skilled technicians and already is performing a number of operations connected with ordering and billing.

As reported a year ago, the functions of the EDP Center also will include an inventory control system that will contribute to improved efficiency and will be assigned an increasing number of more technical responsibilities.

A&P designed the Piscataway facility to allow for massive expansion of data processing equipment and personnel without operational disruptions or space problems. The building itself will accommodate any additions that might be anticipated for the next several years.

Training Techniques—Management's determination to upgrade store service, to better utilize its manpower assets and to offer more rapid advancement opportunities for all personnel was visible in the 1968 acceleration of A&P's training programs and the addition of skilled training specialists for both store management and store personnel.

One phase of the dual program, that concerned with improving store management effectiveness, has developed faster than originally anticipated. The divisions have been enthusiastic in their acceptance of the training technique and the National Personnel Department has been extended to handle the number of such requests for developing the workshop programs at the local level.

Another training concept introduced during the year was an "entry" job-training program that minimizes the new employee's orientation period and expedites his reaching maximum effectiveness. This indoctrination project, like the instruction course for improved management utilization, is being made available to all of the 33 divisions.

Delicatessen 'Explosion'—A&P is capitalizing on the emergence of the in-store service delicatessen as a popular and profitable facet of supermarket operations. The company is installing "service deli" departments in many of its new and larger stores, amid numerous expressions of customer appreciation.

To help supply these and the other such departments expected to materialize in the eastern part of A&P's trade territory in the next few years, the company is now completing and putting into operation a Delicatessen Kitchen in Florence, N. J. This ultra-modern facility, covering 70,000 square feet of operating space under one roof, will enable the company to maximize quality and product control, speed up

EDP MANAGEMENT—Responsible for the development and coordination of A&P's growing electronic data processing operations are Henry Waters (left) and C. T. McGee. (See EDP Center photographs on inside front cover).

NEW PERSONNEL TRAINING TECHNIQUES—The company in 1968 brought into Headquarters two skilled training specialists, William Watson (left) and Charles J. Tackney, who have put into operation development programs for store personnel from entry job-training to managers.

delivery of and afford longer shelf life for highly perishable merchandise, and materially reduce costs. Additionally, the 42 food items prepared at Florence will contribute substantially to the other A&P supply facilities in that the production plant will utilize such company products as mayonnaise, salad dressings, vinegar, gelatins, macaroni, baked goods, fresh produce and seafood, thereby capitalizing on the family of large, efficient buying and manufacturing organizations.

The deli plant, like many other of A&P's manufacturing and distribution arms, will be serviced by the new EDP Center in nearby Piscataway. Production and shipments soon will be programmed through the Kitchen's computer system.

Store Development—Larger stores already are being constructed in many A&P communities, most of them to replace smaller and outdated outlets, all of them designed to offer a wider variety of merchandise in an increasing number of departments. The total number of stores actually declined during the past year, from 4,724 on Feb. 24, 1968 to 4,713 on Feb. 22, 1969, although the 169 larger new supermarkets opened during 1968 extend A&P quality and economy to far more customers than did the 180 antiquated or outdated stores that were closed.

Additionally, the company modernized another 466 existing stores through major remodeling projects.

Supply Divisions—All four of the major supply divisions contributed to the improving performance posture toward year's end, from the introduction of new products under the A&P label to the expansion of facilities for more efficient manufacturing and processing operations.

One of the several plant-improvement programs was the Toronto pre-packaging operation, a 46,000-square-foot facility maintained by the National Produce Division for the processing and temperature-control storage of scores of perishable fruit and vegetable items.

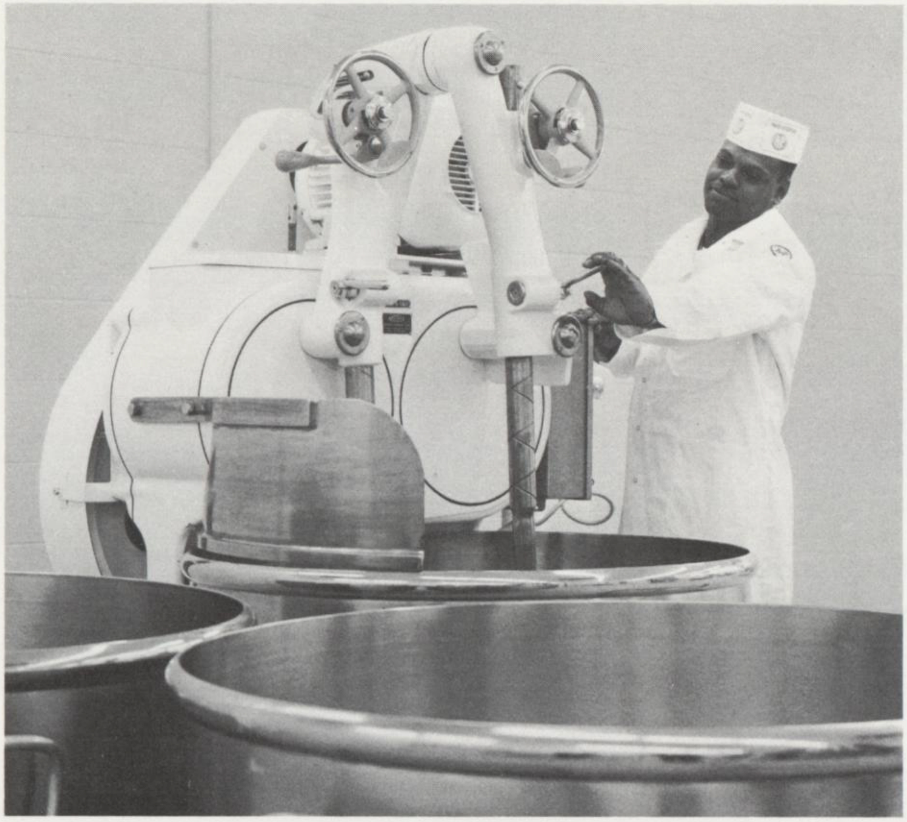
The Ann Page Division invested more than $2 million to modernize two of its plants, primarily for the production of Bright Sail detergent products heretofore obtained through outside suppliers. Ann Page added a new dog food product under the A&P label and, of the 24 food, beverage, candy and spice items introduced under the company names, 20 were accorded sufficient customer acceptance for continued production.

Of all the manufacturing divisions, the Jane Parker bakeries were the most prolific in terms of new product introductions, with a total of 75 during 1968, including 10 at the recently acquired cookie plant in Olean, N. Y., and several new lines of bakery products in the Columbus and Charlotte divisions.

The National Bakery Division added new production lines and other modernization equipment in five baking facilities, Toronto, Philadelphia, Chicago, Springfield and Columbus. Additional economies were effected through the closing of four older bakeries, in Kansas City, Toledo, Syracuse and Portland, and consolidating that production into the more efficient nearby plants in St. Louis, Detroit, Buffalo, and Springfield.

The National Coffee Division introduced a freeze-dried instant and an agglomerated instant under A&P labels to complete the company's full line of famous coffees. The National Dairy Division added more than a score of cheese, non-fat milk and non-dairy coffee creamer products to its expanding line of A&P label merchandise.

Management's "beginning of change" in 1968 already is having an influence on the organization's enthusiasm for an acceleration of A&P's forward thrust in 1969.



DELI DEMAND CREATES NEW DIMENSION—The growing popularity of service delicatessen departments has opened up a whole new merchandising opportunity at the store level. So many such departments are being developed in Eastern Region supermarkets (below) that a new prepared food processing plant is being readied for production in Florence, N. J. (above) to assure a constant supply of quality merchandise at the lowest possible acquisition cost.

Statement of Consolidated Source and Use of Funds *(In Thousands of Dollars)*

For the Periods Ended February 22, 1969 and February 24, 1968

	52 Weeks to February 22, 1969	52 Weeks to February 24, 1968
FUNDS PROVIDED FROM:		
Operations:		
Net income	$ 45,247	$ 55,897
Charges to income not requiring funds:		
Depreciation and amortization	50,648	49,856
Charge equivalent to investment tax credit—net	1,495	1,149
Deferred and prepaid income taxes—net	5,174	4,569
Funds provided from operations	102,564	111,471
Sale of stock under stock option plan	144	78
Total funds provided	102,708	111,549
FUNDS USED FOR:		
Cash dividends	32,265	39,707
Additions to property, equipment and fixtures	61,415	63,357
Miscellaneous	2,005	2,882
Total funds used	95,685	105,946
INCREASE IN WORKING CAPITAL	7,023	5,603
WORKING CAPITAL AT BEGINNING OF PERIOD	310,308	304,705
WORKING CAPITAL AT END OF PERIOD	$317,331	$310,308

See the accompanying Notes to the Financial Statements.

REMODELS MAKE NEW STORES OUT OF OLD ONES—In addition to the 169 new supermarkets opened during fiscal 1968, the company remodeled another 466 like this one in Toronto, giving each the appearance and equipment to make it as inviting and as efficient as a new store. Note the "Founding" date in Toronto, symbolizing A&P's entry into Canada in 1927 as contrasted with the original 1859 date used on stores in the United States. This revitalized supermarket has been reopened and is attracting a large volume of new and satisfied customers.

Statement of Consolidated Income and Retained Earnings

For the Periods Ended February 22, 1969 and February 24, 1968

	52 Weeks to Feb. 22, 1969	52 Weeks to Feb. 24, 1968
Sales	$5,436,325,094	$5,458,823,511
Cost of merchandise sold	4,383,200,733	4,412,395,489
Gross profit	1,053,124,361	1,046,428,022
Store operating, general and administrative expenses	964,688,298	946,794,929
Profit from operations	88,436,063	99,633,093
Other income—net	1,810,832	2,064,336
Income before income taxes	90,246,895	101,697,429
United States and foreign taxes and other charge:		
Income taxes:		
Current	38,331,000	40,082,000
Deferred and prepaid—net	5,174,000	4,569,000
Charge equivalent to investment tax credit—net	1,495,000	1,149,000
Total	45,000,000	45,800,000
Net income—1969, $1.82 a share; 1968, $2.25 a share	45,246,895	55,897,429
Retained earnings at beginning of period	225,602,886	209,412,602
	270,849,781	265,310,031
Cash dividends—1969, $1.30 a share; 1968, $1.60 a share	32,264,783	39,707,145
Retained earnings at end of period	$ 238,584,998	$ 225,602,886

See the accompanying Notes to the Financial Statements.

Consolidated Balance Sheet February 22, 1969 and February 24, 1968

ASSETS

	February 22, 1969	February 24, 1968
CURRENT ASSETS:		
Cash	$ 92,650,123	$ 95,518,707
Short-term investments—at cost	9,321,968	9,169,619
Accounts receivable	24,961,579	23,535,080
Merchandise and supplies—at the lower of average cost or market	417,061,598	401,339,345
Prepaid expenses	13,633,000	12,371,000
Current assets	557,628,268	541,933,751
PROPERTY, EQUIPMENT AND FIXTURES:		
Land, at cost	8,732,842	7,946,739
Buildings, at cost less accumulated depreciation—1969, $11,413,402; 1968, $9,583,188	52,501,481	47,319,993
Equipment, at cost less accumulated depreciation—1969, $187,190,387; 1968, $176,212,882	201,251,065	198,398,492
Store fixtures, at amortized cost	74,122,010	72,806,005
Property, equipment and fixtures—net	336,607,398	326,471,229
DEFERRED CHARGES	17,559,965	15,596,445
	$911,795,631	$884,001,425

See the accompanying Notes to the Financial Statements.

LIABILITIES AND STOCKHOLDERS' EQUITY

	February 22, 1969	February 24, 1968
CURRENT LIABILITIES:		
Accounts payable	$172,692,097	$169,074,575
Accrued accounts:		
United States and foreign income taxes	9,701,023	8,444,209
Other taxes, salaries, etc.	57,904,639	54,106,921
Current liabilities	240,297,759	231,625,705
DEFERRED INVESTMENT CREDIT, RESERVES FOR SELF-INSURANCE, ETC.	16,472,624	15,906,009
DEFERRED INCOME TAXES	14,533,000	9,104,000
STOCKHOLDERS' EQUITY:		
Common stock—$1 par value; authorized 28,000,000 shares; issued 1969, 24,822,021 shares; 1968, 24,817,308 shares	24,822,021	24,817,308
Capital surplus	377,085,229	376,945,517
Retained earnings	238,584,998	225,602,886
Stockholders' equity	640,492,248	627,365,711
	$911,795,631	$884,001,425

Notes to Financial Statements

FEDERAL INCOME TAXES: The investment credit applicable to property acquired is being amortized over the estimated useful lives of the assets.

RETIREMENT PLANS: Retirement benefits for substantially all full-time employees are provided under the terms of the companies' Retirement Plans or under the terms of Plans jointly administered by representatives of employees and employers. The expenses of the companies' Retirement Plans, which include interest on the unfunded prior service cost, are funded on a current basis. Expenses of all Plans were $12,573,000 and $20,812,000 for the periods ended February 22, 1969 and February 24, 1968, respectively.

STOCK OPTIONS: The stock option plan approved by the stockholders on June 21, 1960 provided that executives and key employees may be granted options to purchase stock of the Company at the fair market value of the stock on the date of grant.

Proceeds from the 4,713 shares sold during the year amounted to $144,425, of which $4,713 was credited to capital stock and $139,712 to capital surplus.

334,086 shares of the Company's unissued stock are reserved for issuance under the plan, of which 190,918 shares are available for immediate purchase, 114,572 shares are available for purchase at various dates after February 22, 1969, and 28,596 shares have not been allotted and are available for future grants.

At February 22, 1969, after adjustment for cancellations, the status of the plan was as follows:

	Options Granted				
	Oct. 17, 1960	Jan. 24, 1963	July 8, 1965	July 15, 1965	Sept. 12, 1968
Shares sold to Feb. 22, 1969	208,742	None	400	None	330
Available for purchase under outstanding options	59,785	18,540	91,910	18,685	116,570
Shares allotted	268,527	18,540	92,310	18,685	116,900
Present option price per share	$30.57	$42.46	$36.51	$36.27	$31.625

LONG-TERM LEASES AND OTHER MATTERS: Most operations of the companies are conducted in leased premises. There were approximately 4,955 leases in force on February 22, 1969 (exclusive of leases relating to premises where operations had not commenced, which are of the same type) that were, in general, for periods not exceeding ten years. The current annual rental of these premises is approximately $101,500,000.

Since February 22, 1969 the companies' modernization program has involved the customary substantial expenditures, made or to be made, for new store leases, equipment and inventories.

HASKINS & SELLS
CERTIFIED PUBLIC ACCOUNTANTS

TWO BROADWAY
NEW YORK 10004

ACCOUNTANTS' OPINION

To the Board of Directors and Stockholders of
The Great Atlantic & Pacific Tea Company, Inc.:

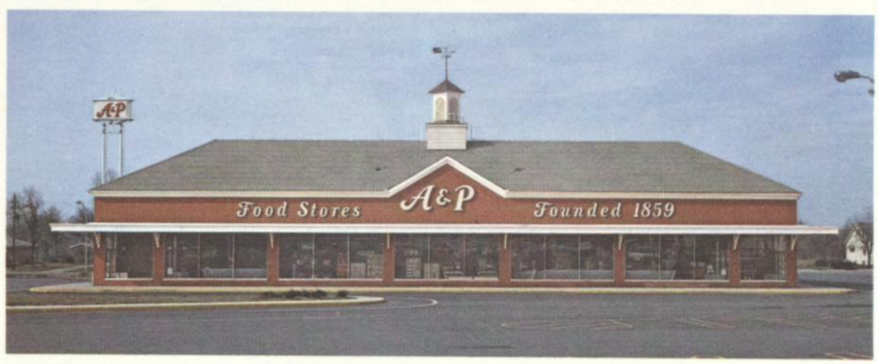
We have examined the consolidated balance sheet of The Great Atlantic & Pacific Tea Company, Inc. and its subsidiary companies as of February 22, 1969, and the related statements of consolidated income and retained earnings and of consolidated source and use of funds for the 52 weeks then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying consolidated balance sheet and statement of consolidated income and retained earnings present fairly the financial position of the companies as of February 22, 1969 and the results of their operations for the 52 weeks then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding period; and the accompanying statement of consolidated source and use of funds presents fairly the information shown therein.

Haskins & Sells

April 29, 1969

ALIKE YET UNIQUE—A&P supermarket architectural design, with all of its similarities and some of its variances, is graphically illustrated in these four stores, built in Fiscal 1968 in four widely-separated sections of the country. From top to bottom, these ultra modern food department stores serve the communities of Jackson Heights, Queens (New York City), New Orleans, La., Clarksville, Ind., and Edmonds (Seattle), Wash.



TO BRING THE MOST GOOD FOOD, TO THE MOST PEOPLE,
FOR THE LEAST AMOUNT OF MONEY